

AR31

ANNUAL REPORT
1969

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Sub

OSF INDUSTRIES LIMITED

OSF INDUSTRIES LIMITED

Operations

MANUFACTURING

Merchandising Fixtures and Fittings

Food Service Operations

SUCCESS DISPLAY LIMITED

Specialized Display Fixtures

CONCEPT FURNITURE INTERNATIONAL LIMITED

Contract Furniture and Systems for Business Offices
and Institutions

BUILDING CONSTRUCTION, ENGINEERING AND LAND DEVELOPMENTS

GROZBORD, KING and ASSOCIATES

GROZBORD, KING and ASSOCIATES LIMITED

Design—Planning—Construction

GROZBORD, KING ENGINEERING LIMITED

Design—Planning

NABOB DEVELOPMENTS LIMITED

Residential and Commercial Construction

MAITLAND BUILDING CORPORATION (YORK) LIMITED

Building Management—Sales

OSF LAND DEVELOPMENTS LIMITED

Developers of 'Raw' Land and Subdivisions

1200



TO THE SHAREHOLDERS

Your company has altered course sharply in developing and pursuing new growth policies over the past year. Just as external conditions were creating an impasse in the further financing of developments on Great Harbour Cay in the Bahamas, your company's Canadian real estate division, Grozbord, King and Associates Ltd. was obtaining more than \$15 million in institutional mortgage financing for current condominium construction.

In the midst of a sales upsurge which has called for expansion of the second manufacturing shift and new product ranges, the necessity of severing connections with Roberts Realty of the Bahamas, Limited has been a harsh disappointment. Yet even without the Roberts figures which created such a dramatic gain in results which I reported to you in this space last year, your company's directors now find gross sales from Canadian operations running at the highest rate in your company's history.

As for the future, the addition last fall of Concept Furniture International Ltd. has enabled your company to achieve a degree of vertical integration which has probably never been paralleled in our fields of specialization. Complete office and storage-wall systems have now been added to our expanding lines of fixtures and fittings — to the point where OSF products appear in projects ranging from the offices of Canada's communications satellite corporation to the newest of full-range department stores.

THE DECISION TO CONCENTRATE UPON CANADIAN AND U.S. OPPORTUNITIES —
The one factor which brought your company's management to its final decision with respect to the sale of Roberts Realty — announced in a May 26 shareholder letter — was the impossibility in the face of stringent global credit conditions of obtaining any financing. Acquisition by your company of Roberts Realty of the Bahamas, Limited was formally proposed in the spring of 1968 — more than a year in advance of the unexpected introductions of U.S. credit restrictions which brought about a drastic change in the growth of that country's money supply during the last half of 1969.

As the restrictions took effect there was such a drastic change in money-market attitudes and conditions that a project which had begun as a brilliant success suddenly came to represent a potential impediment to a smooth rate of growth which your company had achieved at all other levels of activity. Despite development by Roberts Realty of an island paradise encompassing a golf course, club house, villas, power station etc., there was suddenly no way to continue this development without hypothesizing the financial and managerial resources of the parent company. In a period in which some well known U.S. conglomerate companies were eroding internally because they had followed lines of least resistance in such matters, your company's manage-

ment decided to insure that there would be no dilution of assets and efforts which were being directed with excellent results into domestic Canadian and U.S. markets.

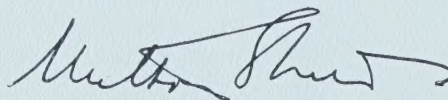
GROZBORD, KING & ASSOCIATES, LIMITED — As one of Canada's pioneers in the rapidly growing Condominium industry, this OSF division is now constructing facilities which could generate profitable sales of up to \$23 million between now and mid 1971. Agreements of sale amounting to more than \$8 million have been entered into at this time for closing in fiscal 1970. In addition to projects already announced which will involve more than 1,000 condominium units, Grozbord, King will build the luxury condominium "Fairbanks" — a 312 Suite, 42-storey structure in the heart of downtown Toronto which is illustrated elsewhere in this report. From a preliminary survey we expect all of these units to be sold during the course of construction. Completion is scheduled for the fall of 1971.

STORE FIXTURES AND FITTINGS DIVISION — With backlog of orders continuing to build in these divisions, management expects a steady increase in sales and profits. In early fall, Concept Furniture International Ltd. will launch a concerted sales drive in the United States. Expanding markets there, for which Concept designs and systems have been developed include the mushrooming construction of institutional residences. "Hille" Storage Wall units developed for such applications are being used in new residences by the Y.M.C.A. and at the other end of the Concept range, office planning systems and private-office furniture developed by Concept are being specified by more and more architects.

You will note in the accompanying financial statements that we have written down to \$1.00 the indebtedness of Roberts Realty of the Bahamas, Limited to the parent company — even though management feels that all or part of this debt will be paid in time. So in terms of cost the full brunt of management's decision to withdraw from off-shore development has already been absorbed. Now all new areas of growth concentration are in fields which mark the natural extension of familiar and productive activities. The future thus is viewed with utmost confidence as record results for our Canadian-based operations are anticipated for the year ahead.

On behalf of the Board of Directors

June 10, 1970
Toronto



Milton Shier,
President



One of many merchandising areas of The T. Eaton Co. Ltd. main department store in Toronto, illustrating OSF's retail merchandising fixtures. OSF has greatly increased its activities with the major department and chain stores from coast to coast.

MERCHANDISING FIXTURES & FITTINGS



An example of OSF's "Complete Service" for specialized retail stores is the Rosenthal Jewellery Store, Yonge Street, Toronto.

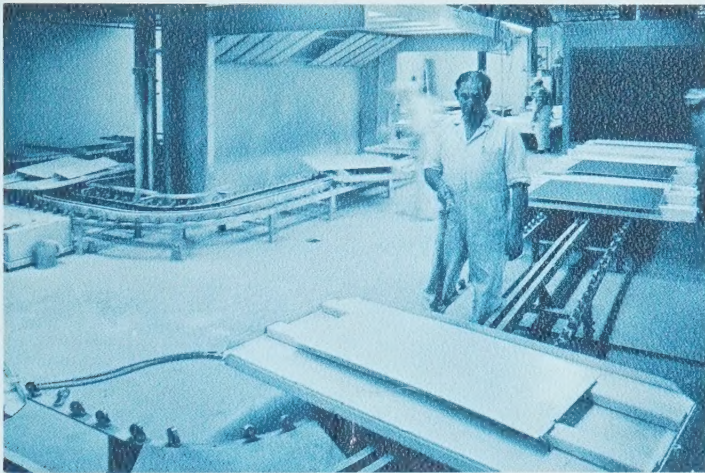
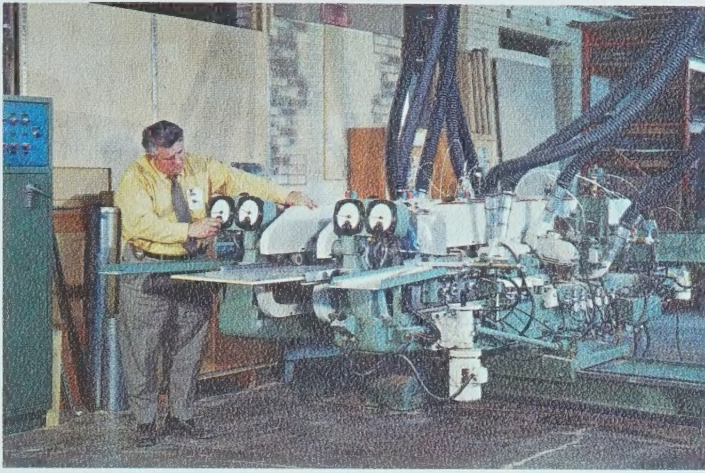
Planning, decor, construction and all related contracting was provided to create the Rosenthal image of quality and exclusiveness.



FOOD SERVICE OPERATIONS

Upper Photo — The kitchen at Baycrest Hospital, is an example of the hundreds of OSF efficient Food Service Equipment installations of all sizes and types of food operations for hotels, restaurants and institutions. OSF provides all technical expertise for the planning, equipment, mechanical services, specialized constructions and decor.

Lower Photos — Zumburger and P.J.'s are two of the many food centres recently completed at the Scotia Square. Similar OSF projects are located from coast to coast: Vancouver, Winnipeg, Edmonton, Saskatoon, Toronto, Ottawa, Montreal, New Brunswick and Newfoundland. Food service projects for hotels, restaurants and institutions have also been completed in the Bahamas, West Indies and in the United Kingdom.



Top left — Russ Spanner, plant manager, examines one of the multi-purpose laminating machines that automatically completes several operations, activated by the master control on the left.

Top right — George Watkins, design director, and Sydney Sobel, vice-president, discussing the plans of a new interior design.

The endless conveyor in the finishing room begins its journey with the 'raw' component and ends with a baked-on finish.



General view — one of the areas where fittings are installed on special fixtures.

PLANT OPERATIONS

OSF's manufacturing plant in Toronto is one of the most modern and largest of its kind, with 140,000 square feet of factory and warehousing facilities. OSF employs sophisticated, specialized production methods while retaining the highest standards of workmanship.



Specializing in custom display fixtures, the company's products are well illustrated in Fairweathers, Yorkdale Shopping Centre, Toronto. The fixtures, lighting and aesthetic decor personifies OSF's policy of functional design.

SUCCESS DISPLAY LIMITED



A combination spiral showroom and fitting room is enhanced by the highlighted steel tubes to project this special effect at Fairweathers' "Big Steel Room".

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OSF Industries Limited and Subsidiary Companies
CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968 Restated (Note 1)
Sales	\$ 9,390,228	\$ 8,599,594
Income from Operations before Depreciation and Amortization of Fixed Assets	\$ 1,414,791	\$ 1,469,442
Depreciation and amortization of fixed assets	80,441	68,951
Income before Taxes on Income	\$ 1,334,350	\$ 1,400,491
Taxes on Income — Current	\$ 636,419	\$ 733,640
— Deferred (Note 8)	82,987	5,160
	\$ 719,406	\$ 738,800
Income before Extraordinary Items	\$ 614,944	\$ 661,691
Extraordinary Items		
Provision for possible loss of investment in and amounts due from Roberts Realty of the Bahamas, Limited (net of income taxes of \$210,814) (Note 1)	\$ (2,422,426) ~	—
Excess of the value assigned to the common shares issued by the company over the book value of the interests acquired by the company	(367,497) ~	—
Acquisition costs of subsidiaries	(130,997) ~	20,841
Gain on disposal of investments	171,450 ~	59,886
	\$ (2,749,470)	\$ 39,045
Net Income (Loss) for Year	\$ (2,134,526)	\$ 700,736
Average number of common shares outstanding during year	2,056,200	1,796,600
Earnings per share before extraordinary items	\$ 0.30 ~	\$ 0.37 ~
Net earnings (loss) for year per share	\$ (1.04) ~	\$ 0.39 ~

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968 Restated (Note 1)
Retained Earnings (Deficit) — January 1, as previously reported	\$ 4,276,199	\$ (78,476)
Elimination of items pertaining to Roberts Realty of the Bahamas, Limited (as described below)	(3,230,200)	506,089
As restated	\$ 1,045,999	\$ 427,613
Net income (loss) for year	(2,134,526)	700,736
	\$ (1,088,527)	\$ 1,128,349
Dividends paid	\$ 109,637	\$ 82,350
Income tax assessments pertaining to prior years	17,406	—
	\$ (127,043)	\$ (82,350)
Retained Earnings (Deficit) — December 31	\$ (1,215,570)	\$ 1,045,999
Amounts Eliminated from Retained Earnings (Deficit) at January 1, 1968		
— Retained earnings of Roberts Realty of the Bahamas, Limited — January 1, 1968		\$ (953,236)
— Excess of the value assigned to the common shares of the company over the par value of the shares of Roberts Realty acquired, charged to retained earnings on the pooling of interests basis		1,459,325
		\$ 506,089
at January 1, 1969		
— Amount eliminated at January 1, 1968 (above)		\$ 506,089
— Net income of Roberts Realty of the Bahamas, Limited for the year ended December 31, 1968 previously included in the consolidated statement of income for 1968		(3,736,289)
		\$ (3,230,200)

O S F Industries Limited and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1969
(with comparative figures for 1968)

ASSETS

	1969	1968 Restated (Note 1)
Cash	\$ —	\$ 306,802
Short term deposit receipts	833,000	3,465,000
Accounts receivable (Note 3)	2,243,475	2,837,450
Inventories, at lower of cost or net realizable value	1,710,817	1,039,289
Refund of income taxes	189,031	—
Note receivable from shareholder (Note 4)	269,866	—
Second mortgage receivable (Note 5)	300,000	—
Real estate — at cost (Note 6)	14,134,667	—
Investments — at cost	95,559	23,334
Property, plant, equipment and leased installations, at cost less accumulated depreciation and amortization of \$351,014; (1968 — \$282,334)	341,538	256,710
X Investment in and amounts due from Roberts Realty of the Bahamas, Limited (Note 1)	①	1,462,500
	<u>\$20,117,954</u>	<u>\$ 9,391,085</u>

AUDITORS' REPORT

To the Shareholders of O S F Industries Limited

We have examined the consolidated balance sheet of O S F Industries Limited as at December 31, 1969 and the consolidated statements of income, retained earnings (deficit) and source and use of funds for the year then ended. Our examination of the consolidated financial statements of O S F Industries Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 82(3) of The Corporations Act (Ontario) we report that we have not received audited financial statements of Roberts Realty of the Bahamas, Limited (Roberts Realty) for the year ended December 31, 1969 as set out in Note 1.

In our opinion, subject to the amounts ultimately realized from the company's investment in and amounts due from Roberts Realty in excess of a nominal value of \$1, the consolidated balance sheet (which does not include the accounts of Roberts Realty) presents fairly the financial position of the company and its consolidated subsidiaries as at December 31, 1969. However, because the figures relating to Roberts Realty enter materially into the determination of net income for the year, we are unable to express an opinion on the accompanying statements of income, retained earnings (deficit) and source and use of funds for the year then ended. In our opinion, subject to the comments relating to Roberts Realty, the foregoing consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year with the exception that the accounts of Roberts Realty have not been included as set out in Note 1.

Toronto, Ontario
June 16, 1970.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968 Restated (Note 1)
Bank indebtedness — secured by book debts	\$ 569,842	\$ 30,000
Accounts payable and accrued liabilities	1,794,727	1,525,867
Income taxes payable	—	523,014
Other taxes payable	239,300	224,747
Customers' deposits	564,459	90,658
Accounts payable — Real estate	1,306,540	—
Mortgages payable — Real estate (Note 6)	9,900,751	—
Deferred profit on sale of real estate (Note 7)	284,773	—
Deferred income taxes payable (Note 8)	154,912	75,075
Total Liabilities	<u>\$14,815,304</u>	<u>\$ 2,469,361</u>
Shareholders' Equity		
Capital Stock (Note 9)		
Authorized		
1,500,000 6% non-voting, non-cumulative, non-participating		
redeemable preference shares with a par value of		
\$1 each		
7,500,000 common shares without par value		
Issued and Fully Paid		
2,057,200 common shares (1968 — 2,008,300 common shares) ..	\$ 6,518,220	\$ 5,875,725
Retained Earnings (Deficit)	(1,215,570)	1,045,999
	<u>\$ 5,302,650</u>	<u>\$ 6,921,724</u>
	<u>\$20,117,954</u>	<u>\$ 9,391,085</u>

The accompanying Notes to Consolidated Financial Statements and the accompanying Report of Directors pursuant to Section 89 (2) (b) of The Corporations Act (Ontario) form an integral part of these Consolidated Financial Statements.

Approved on behalf of the Board:

M. SHIER, Director

A. GROZBORD, Director

OSF Industries Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1969

(with comparative figures for 1968)

Source of Funds	1969	1968 Restated (Note 1)
From Operations		
Net income (loss) for year	\$ (2,134,526)	\$ 700,736
Non-cash items included in the determination of net income (as described below)	2,216,474	74,111
	<u>\$ 81,948</u>	<u>\$ 774,847</u>
Mortgage proceeds	9,900,751	—
Net decrease in cash and short term deposit receipts less bank indebtedness	3,478,644	(3,519,386)
Increase in accounts payable — real estate	1,306,540	—
Decrease in accounts receivable	593,975	(1,061,681)
Increase in customers' deposits	473,801	24,525
Increase in accounts payable and accrued liabilities	268,860	404,929
Issue of common shares	16,945	3,486,625
	<u>\$16,121,464</u>	<u>\$ 109,859</u>
Use of Funds		
Cost of real estate (including development and construction costs)	\$14,097,877	—
Net decrease in income taxes	712,045	\$ (338,730)
Increase in inventories	671,528	333,982
Increase in note receivable from shareholder	269,866	—
Net increase in property, plant, equipment and leased installations	167,056	150,294
Payment of dividends	109,637	82,350
Increase in investments	72,225	3,034
Net changes in other assets and liabilities	21,230	(121,071)
	<u>\$16,121,464</u>	<u>\$ 109,859</u>
Non-cash items included in the determination of net income		
Provision for possible loss of investment in Roberts Realty of the Bahamas, Limited	\$ 1,462,499	—
Excess of the value assigned to the common shares issued by the company over the book value of the interests acquired by the company	367,497	—
Value assigned to the common shares issued by the company as part consideration for the purchase of real estate sold during the year	210,000	—
Deferred income taxes	82,987	\$ 5,160
Depreciation and amortization of fixed assets	80,441	68,951
Shares issued for services	13,050	—
	<u>\$ 2,216,474</u>	<u>\$ 74,111</u>

OSF Industries Limited and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 1969

Note 1:

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries as at December 31, 1969 with the exception of the accounts of Roberts Realty of the Bahamas, Limited (Roberts Realty) for the reasons set out below.

On May 25, 1970, the company, subject to the approval of its shareholders and the various governing authorities, entered into an agreement with Marc-Jay Investments Inc. (Marc-Jay) for the sale of all of the company's shares of Roberts Realty to Marc-Jay. As consideration for these shares, Marc-Jay has agreed to waive irrevocably its right to convert a Roberts Realty debenture which it presently holds into approximately 940,000 common shares of the company. In addition, Marc-Jay has agreed to reimburse the company to the extent of \$1,462,500 from the proceeds, if any, which may be realized on any future disposition by Marc-Jay of the Roberts Realty shares or from any amounts which may be received by Marc-Jay from Roberts Realty (otherwise than on account of the repayment of any principal monies advanced by Marc-Jay).

Audited financial statements for Roberts Realty have to date not been prepared as set out in the Report of Directors included in these consolidated financial statements.

Accordingly, the assets and liabilities and income and retained earnings (deficit) of Roberts Realty have not been included in these consolidated financial statements.

The 1968 consolidated financial statements included herewith for comparative purposes have therefore been restated from those previously issued to exclude the accounts of Roberts Realty. The restated 1968 consolidated financial statements exclude the retained earnings of Roberts Realty at January 1, 1968 of \$953,236, the net income of Roberts Realty for 1968 of \$3,736,289 less the excess of the value assigned to the common shares of the company over the par value of the shares of Roberts Realty of \$1,459,325 as set out in the accompanying consolidated statement of retained earnings (deficit) for 1969.

As a result of the elimination of the accounts of Roberts Realty from consolidation, the company's investment in and amounts due from Roberts Realty is carried in the company's accounts as follows:

Investment in shares	\$1,462,500
Advances (unsecured)	776,032
Account receivable (secured by a conditional sales contract)	394,709
	\$2,633,241

In view of the uncertainty as to the exact amount of ultimate recovery, the company has made a full provision in the amount of \$2,633,240 for possible loss of its investment in and amounts due from Roberts Realty.

The loss sustained by the company in 1969 on a pooling of interests basis with respect to Roberts Realty is \$5,652,626. This loss is composed of \$3,230,200 included in consolidated retained earnings at January 1, 1969 and now deconsolidated as described in the accompanying consolidated statement of retained earnings (deficit), and \$2,422,426 representing the write-down of its investment in and amounts due from Roberts Realty (net of income taxes) to a nominal value of \$1.

Note 2:

Classification of Accounts

In 1968 and prior thereto the company classified its balance sheet accounts as current and long-term. This classification has been eliminated in 1969 (and for comparative purposes in 1968) because it is not possible to so classify the accounts of the company's real estate division, which in 1969 formed a significant portion of the consolidated accounts of the company.

Note 3:**Accounts Receivable**

The accounts receivable include the following:

	1969	1968
Instalment notes and accounts receivable less allowance for doubtful accounts and unearned interest	\$2,167,806	\$2,806,296
Other receivables and prepaid expenses	75,669	31,154
	<u>\$2,243,475</u>	<u>\$2,837,450</u>

Instalment notes include net amounts of \$367,500 (1968 — \$370,000), due after one year.

Note 4:**Note Receivable from Shareholder**

In July, 1969 the company acquired for \$250,000 (U.S. funds) an interest in a limited partnership established under the laws of New York State for the production of a play. Subsequently, it was decided that the company should dispose of this investment and in December, 1969 the company assigned its interest in such limited partnership to Marc-Jay Investments Inc. in exchange for a non-interest bearing note receivable in the amount of \$250,000 (U.S. funds) due December 15, 1970. The play was subsequently produced and proved to be unsuccessful.

Note 5:**Second Mortgage Receivable**

The second mortgage receivable was taken back on a building sold and leased back by the company. The profit on this sale has been deferred as outlined in Note 7. The mortgage is collectible at the rate of \$20,000 principal plus 7½% interest annually and matures on March 1, 1979.

Note 6:**Real Estate and Mortgages Payable — Real estate**

The company's cost of its real estate includes carrying charges such as interest, realty taxes and other costs applicable thereto. The company does not intend to hold its real estate for investment, but for development, construction and sale.

The company has entered into a number of joint venture agreements for the development, construction and sale of real estate. The consolidated financial statements include the company's percentage interest in the total assets and liabilities in these joint ventures as at December 31, 1969. The company is contingently liable for the percentage interest of the joint venture liabilities of its partners, amounting to approximately \$1,570,000 at December 31, 1969. To satisfy these contingent liabilities the company would have the percentage interest of the joint venture assets of its partners, amounting to approximately \$1,875,000 as at December 31, 1969.

In May, 1970, the company dissolved one of its joint ventures (80% owned), repaid its partner's advance of approximately \$175,000 and agreed to purchase its partner's 20% of the net assets for \$250,000 payable equally over four months. As at December 31, 1969, the partner's 20% share of the joint venture assets and liabilities was approximately \$869,000 and \$699,000 respectively.

In May, 1970, the company entered into an agreement for the purchase of all of the shares of Nabob Developments Limited, as described in Note 11. As at December 31, 1969, Nabob was a 50% partner in one of the joint ventures. Its 50% share of the joint venture assets and liabilities was approximately \$564,000 and \$528,000 respectively.

In May, 1970, the company entered into another joint venture (50% owned) for the construction of 236 condominium suites and arranged financing in the amount of approximately \$3,400,000.

The following is a summary of the company's costs of real estate and the mortgages payable thereagainst as at December 31, 1969:

	Cost	Mortgages Payable
Apartment buildings substantially completed	\$ 5,266,297	\$4,107,143
Condominium units and rental properties under construction ...	3,244,217	2,160,960
Land under development and held for construction	3,952,317	2,629,716
Undeveloped lands	1,552,562	1,002,932
Advances to joint ventures in excess of percentage interests therein	119,274	—
	<u>\$14,134,667</u>	<u>\$9,900,751</u>

Apartment buildings substantially completed consist of two apartment buildings containing 309 suites. Mortgages payable on these buildings totalling \$3,907,143 (excluding mortgage draws subsequently received of \$182,250) bear interest at 9% - 9½% and mature in 2004 and 2005. In addition, mortgages payable totalling \$200,000 bear interest at 13% and mature in October and December, 1970.

Condominium units and rental properties under construction consist of land and construction costs for condominium units and rental properties. Financing arranged subsequent to December 31, 1969 totalling approximately \$12,000,000 will be used to repay mortgages payable of \$2,160,960 and to construct approximately 870 condominium and apartment suites.

The mortgages payable on land under development and held for construction amounting to \$2,629,716 as at December 31, 1969 bear interest at rates averaging approximately 9% per annum and mature as follows:

1970	\$ 364,654
1971	22,100
1972	2,087,464
1973	1,350
1974	121,350
Thereafter	32,798
	<u>\$2,629,716</u>

The mortgages payable on undeveloped lands amounting to \$1,002,932 as at December 31, 1969 bear interest at rates averaging approximately 8% per annum and mature as follows:

1970	\$ 93,360
1971	20,900
1972	60,900
1973	258,218
1974	277,322
Thereafter	292,232
	<u>\$1,002,932</u>

Note 7:

Deferred Profit on Sale of Real Estate

This profit resulted from the sale and leaseback of an apartment building and is being taken into income on a straight-line basis over the ten year period of the lease. Pursuant to the terms of this lease, the company will receive all rental income from the apartment building and will pay an annual rental equal to the total of all capital and operating charges of the building together with an amount of \$49,500 to be paid to the lessor annually. For the year ended December 31, 1969 the company included an amount of approximately \$24,000 in its income before taxes with respect to the above.

Note 8:

Deferred Income Taxes Payable

For accounting purposes the company:

- (a) depreciates its leased installations on a straight-line basis over the terms of the leases and depreciates its fixed assets on the diminishing balance basis at various rates;
- (b) recognizes the profit on jobs sold under conditional sale contracts at the date of sale;
- (c) amortizes on a straight-line basis the profit on the sale and leaseback of a rental building over the term of the lease; and
- (d) capitalizes the carrying charges of real estate under development and construction.

For income tax purposes the company:

- (a) depreciates its leased installations and fixed assets at the maximum allowable rates;
- (b) defers the profit on jobs sold under conditional sales contracts that are financed for a period beyond two years;
- (c) provides a reserve against the profit on the sale and leaseback of a rental building; and
- (d) writes off the carrying charges of real estate under development and construction.

The deferred income taxes payable result from the different treatment accorded the above for accounting and tax purposes.

Note 9:**Capital Stock**

Pursuant to supplementary letters patent dated May 1, 1969 the company:

- (a) increased its authorized capital to 7,500,000 common shares by creating an additional 4,500,000 common shares without par value ranking on a parity with the existing 3,000,000 common shares of the company;
- (b) increased its authorized capital by creating 1,500,000, 6% non-voting, non-cumulative, non-participating redeemable preference shares, with a par value of \$1 each.

The following is a summary of the changes in the issued common shares of the company during the year ended December 31, 1969:

Issued:

2,008,300 shares issued as at January 1, 1969	\$5,875,725
35,000 shares issued for real estate properties and other interests	612,500
13,400 shares issued for cash on exercise of employees' stock options	16,945
500 shares issued for services	13,050
<u>2,057,200 shares issued at December 31, 1969</u>	<u>\$6,518,220</u>

The company has outstanding warrants to purchase 150,000 of its common shares at \$17.50 per share exercisable by the holders thereof at any time up to January 17, 1974. In addition, employees' stock options to purchase 50,900 common shares of the company exercisable at various prices from 67¢ to \$28.60 at various dates up to December 31, 1979, were outstanding at December 31, 1969.

Reference is made to Note 1 with respect to an agreement entered into by the company in May of 1970, which is subject to approval by its shareholders and the various governing authorities, providing for the cancellation of the conversion privilege of a debenture which was under certain conditions convertible into approximately 940,000 shares in the capital stock of the company.

Note 10:**Commitments and Contingent Liabilities**

The company was contingently liable as at December 31, 1969 for approximately \$57,000 with respect to conditional sales contracts assigned by the company to finance companies with recourse.

The company has leased its premises in Toronto, Ontario for a period up to December 31, 1980, at a rental of \$6,100 per month, and agreed to pay all realty taxes, insurance, repairs and carrying charges (except mortgage, principal and interest) in respect to these premises. The company is contingently liable for an account of Roberts Realty in the amount of approximately \$50,000.

Reference is made to Notes 6 and 7 with respect to other commitments and contingent liabilities.

Note 11:**Subsequent Events**

Subsequent to December 31, 1969, the company entered into an agreement to purchase the shares of Nabob Developments Limited for 16,000 common shares of the company. In addition, the company granted to the vendor warrants to purchase an additional 30,000 common shares at \$17.50 per share exercisable over a period of five years. Reference is made to Notes 1 and 6 with respect to other subsequent events.

Note 12:**Remuneration of Directors and Officers**

Remuneration of directors and senior officers of the company as defined by The Corporations Act (Ontario) for the year ended December 31, 1969 amounted to \$213,145.

Report of Directors Pursuant to Section 89 (2) (b) of The Corporations Act (Ontario)

The undersigned directors of OSF Industries Limited (the company) do hereby report that the directors of the company have been unable to obtain the information necessary for the preparation of the statement required pursuant to Section 89 (2) (a) of The Corporations Act (Ontario) with respect to Roberts Realty of the Bahamas, Limited (Roberts Realty), a subsidiary of the company, because audited financial statements on a going concern basis of Roberts Realty could not be prepared in view of its current financial position and the unavailability of reliable information.

M. SHIER, Director

A. GROZBORD, Director

June 15, 1970

GROZBORD, KING and Associates Limited

THE FAIRBANKS

Strategically located in the heart of Toronto's downtown shopping, business and entertainment centre, The Fairbanks will be the tallest condominium apartment building in Canada. 312 luxury suites with 2 and 3 bedrooms are complemented by all the amenities of modern, gracious and leisurely living. Wide terraces, high ceilings, spacious rooms and an unparalleled view of the city are some of the features shared by all the residents. A complete health club, indoor/outdoor swimming pool, two squash courts, tennis court, gymnasium, sauna baths and supervised recreational facilities are but some of the advantages available. All suites are climate controlled the year around with double glazed windows and sliding doors.

Every modern technical feature of multi-floor apartment construction has been incorporated in the design of this unique and outstanding building.

CONCORD KING and Associates Limited

550

1987

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1987

1987

Every modern building features a multi floor
downward sloping driveway and outdoor heated
patio. The finished walls are the finest quality
minimum apartment building in Canada. 213 luxury
apartments with 2 and 3 bedrooms are completed
by the all types of modern facilities and

1987

1987

1987



THE FAIRBANKS



The Grange; a 15 story, 306 apartment condominium project in Etobicoke's West Mall, to be completed before the end of 1970, is being built in conjunction with The Ontario Housing Corporation. This residential project reflects the increased popularity in condominium living.



The Sussex House — Well on the way to completion is this 312 suite apartment project in the West Mall area.

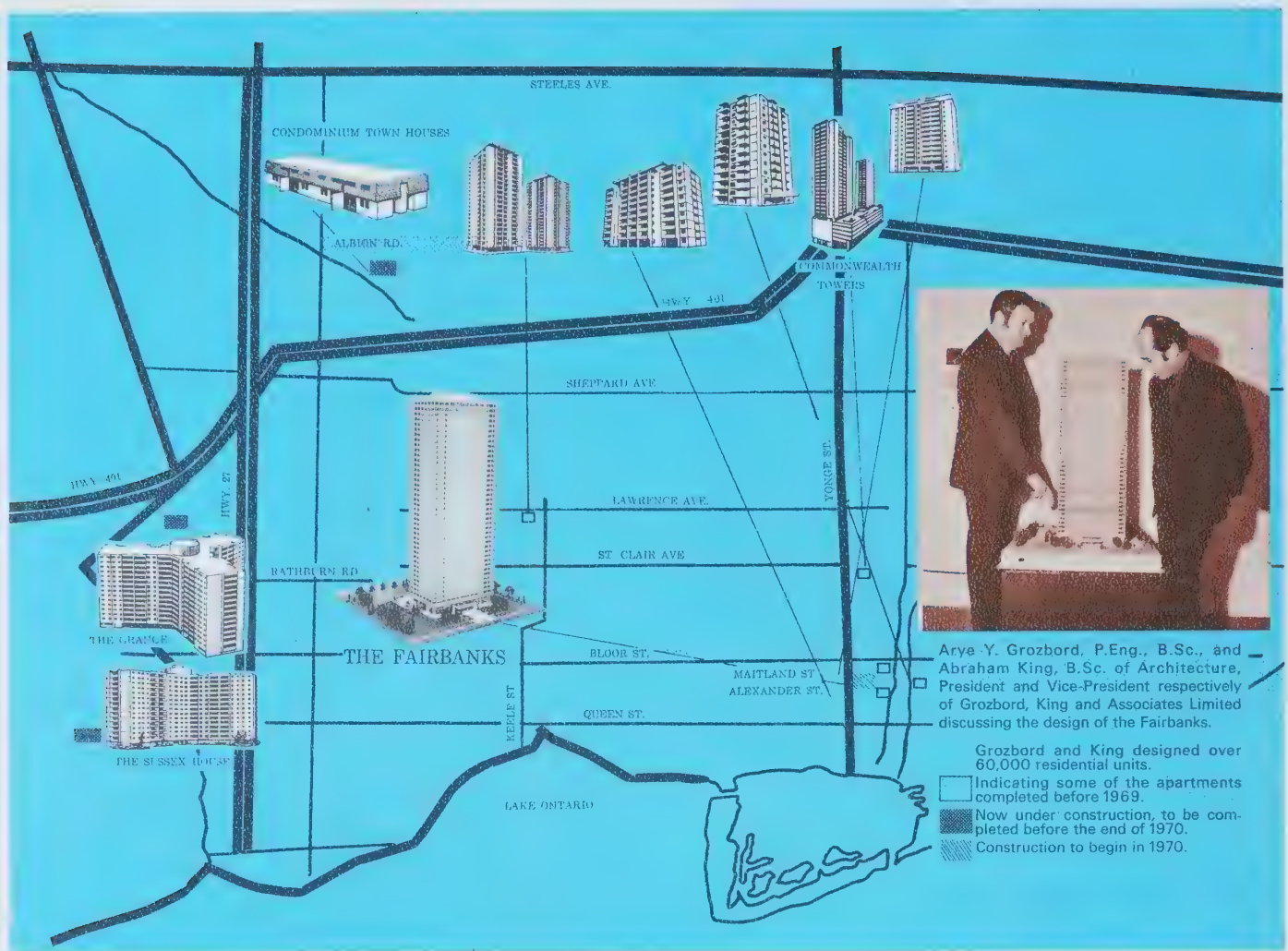


Paul Hagen, vice-president, residential construction, examining the building model of a new project.



This community of 142 condominium townhouses now nearing completion on Albion Road, Toronto is another project in conjunction with the Ontario Housing Corporation.





OSF LAND DEVELOPMENTS LIMITED

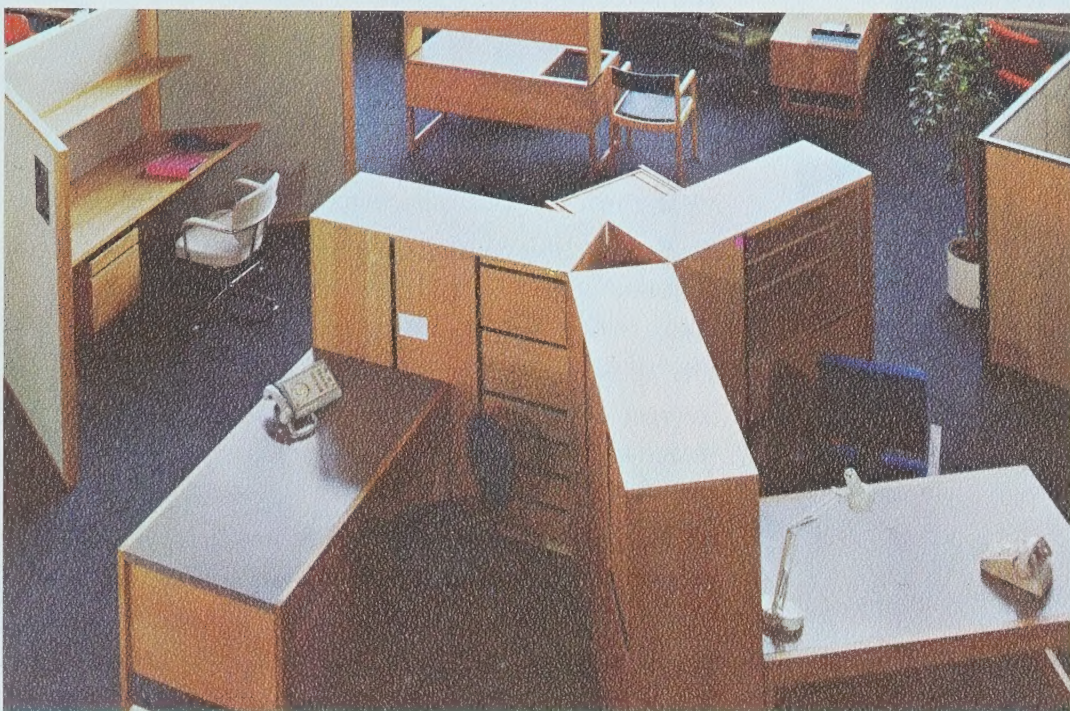
OSF Land Developments is a wholly controlled subsidiary in which OSF Industries has a 75% equity interest. It is engaged in residential land development activities in Ontario and has, at present, three projects under way. These are: a site in the Town of Mississauga, perhaps the most active growth area in Canada, proposed for future single family development; a site in London, Ontario, which has in principal been approved for multi-family development; and a site in the Village of St. Clair Beach, near Windsor, on which approvals are expected shortly for a prestige R1 single family development.

It is anticipated that future choice locations will be acquired from time to time to add to this present portfolio.

Profits from these activities should, in the future, greatly enhance the total profitability of your Company.



Keith Stewart, President, OSF Land Developments Limited

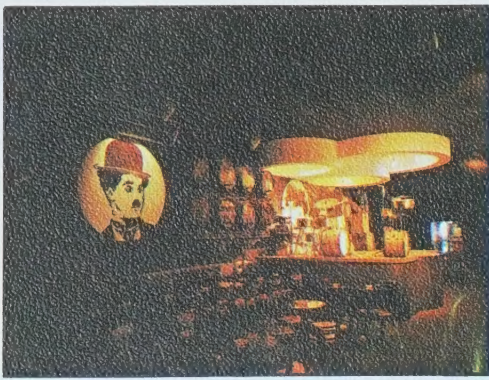


Part of a Concept Office Planning System, variations of which were installed at Telstat Canada, Ottawa, Ontario. This section of the office landscaping shows a combination of a module and a single unit.

CONCEPT FURNITURE INTERNATIONAL LIMITED



The "Hille" Storage Wall System is becoming very popular in students' and nurses' residences, government institutions and universities, office buildings and motor hotels.



THE COMPANY

OSF INDUSTRIES LIMITED is the largest Canadian Manufacturer and supplier of food service equipment, furniture, fixtures and decor for the Retail Merchandising and Food Service Industries.

The Company was founded in 1926 by Joseph Shier on King Street West in Toronto. The Company moved to its present location in 1961. Since then, it has continued to expand to where it now has approximately 140,000 square feet of manufacturing and warehouse space.

Since 1967, the continuous growth of the Company has included acquisitions and the forming of several related companies as well as expanding into the fields of building construction, engineering and land development.

Success Display Limited, acquired in 1967, designs and manufactures specialized display fixtures, lighting, metal fabricating and allied products.

Although Success Display is a separate corporate entity, the company's products and services are important factors in OSF's integral manufacturing policy.

Concept Furniture International Limited designs, manufactures and distributes a wide range of Office Planning Systems and Storage Wall Systems for business offices and institutions. In addition to their own unique designs, Concept has acquired the exclusive manufacturing and distributing rights of the renowned "Hille," of England contract furniture.

Since the acquisition of Grozbord, King and Associates Limited by OSF in 1969, the engineering and construction company has launched an extensive construction program. As well as increasing its activities in design and engineering, it has completed plans to establish a long range income program through building management.

In 1970, the Company's construction operations will provide Metropolitan Toronto with over 870 completed residential units and will begin construction on Canada's tallest luxury apartment condominium in the heart of downtown Toronto. By the end of 1971, Grozbord and King will complete a total of 1,918 residential units.

OSF Land Developments Limited, working in conjunction with Grozbord, King and Associates Limited, is OSF's "raw" land development operation.

The programs of the parent company and the subsidiaries are formulated and integrated by management control and decision, and implemented by efficient intercommunication.



OSF INDUSTRIES LIMITED

DIRECTORS

MILTON SHIER

SYDNEY SOBEL

HARRY SHIER

WILLIAM T. GUNNING

ARYE Y. GROZBORD, P.Eng., B.Sc.,
M.E., B.Sc. Industrial Management

OFFICERS

MILTON SHIER, President

SYDNEY SOBEL, Vice-President

HARRY SHIER, Secretary-Treasurer

WILLIAM T. GUNNING, Controller

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario and Montreal, Quebec

AUDITORS

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Toronto, Ontario

BANKERS

THE BANK OF NOVA SCOTIA
Toronto, Ontario

SHARES OUTSTANDING

2,057,200 outstanding common shares of the Company
are listed on the Toronto Stock Exchange.

HEAD OFFICE

2256 LAKE SHORE BLVD. WEST
TORONTO, ONTARIO

SUBSIDIARIES

GROZBORD, KING & ASSOCIATES LIMITED
Toronto, Ontario

MAITLAND BUILDING CORPORATION (YORK) LIMITED

GROZBORD, KING ENGINEERING LIMITED

NABOB DEVELOPMENTS LIMITED

SUCCESS DISPLAY LIMITED
Scarborough, Ontario

CONCEPT FURNITURE INTERNATIONAL LIMITED

OSF LAND DEVELOPMENTS LIMITED

